

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

KEITH CHIN, Individually and on Behalf of All  
Others Similarly Situated,

Plaintiff,

v.

KE HOLDINGS INC., PENG YONGDONG,  
and XU TAO,

Defendants.

Civil Action No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS

JURY TRIAL DEMANDED

Keith Chin, by and through his counsel, alleges the following upon information and belief, except as to those allegations concerning plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief are based upon, *inter alia*, counsel's investigation, which included review and analysis of: (i) regulatory filings made by KE Holdings Inc. ("KE Holdings" or the "Company") with the U.S. Securities and Exchange Commission ("SEC"); (ii) press releases, presentations, and media reports issued by and disseminated by the Company; (iii) analyst and media reports concerning KE Holdings; and (iv) other public information regarding the Company.

**INTRODUCTION**

1. Plaintiff brings this securities class action on behalf of all persons or entities that purchased or otherwise acquired KE Holdings American depository shares ("ADS") between August 13, 2020 and December 16, 2021, inclusive (the "Class Period").

2. The claims asserted herein are alleged against KE Holdings and certain of the Company's senior executives, and arise under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and SEC Rule 10b-5, promulgated thereunder.

3. KE Holdings claims to be the "leading integrated online and offline platform for

housing transactions and services in China."

4. Key to the Company's business is the number of real estate agents and stores that use its platform. KE Holdings mainly generates revenues from fees and commissions in housing transactions and services. In general, the more agents and stores using the Company's platform, the more transactions, which in turn will result in greater revenues.

5. On December 16, 2021, during the trading day, Muddy Waters Capital LLC ("Muddy Waters"), a research based equity investor, announced that it took a short position in the Company because its research showed that KE Holdings was overstating the agents and stores on its platforms; its gross transaction value ("GTV"); and its revenues, among other wrongdoing. The Company's ADS prices dropped \$4.73, 22.18%, from the high it reached on that day on greater than usual volume.

6. Due to defendants' wrongful acts and omissions, and the precipitous declines in the market value of the Company's shares alleged herein, plaintiff and other Class (as defined below) members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §78j(b) and §78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §240.10b-5.

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §1337, and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

9. Venue is proper in this District under 28 U.S.C. §1391(b), and Section 27 of the Exchange Act, 15 U.S.C. §78aa, because KE Holdings' ADS are traded on the New York Stock Exchange ("NYSE") located in New York, New York, which is situated in this District, and many

of the acts giving rise to the violations complained of in this action, including the preparation and dissemination of materially false and misleading statements, occurred in substantial part in this District.

10. In connection with the acts alleged herein, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to the mails, interstate telephone communications, and the facilities of the national securities markets.

### **PARTIES**

#### **Plaintiff**

11. Plaintiff Keith Chin is a holder of KE Holdings' ADS. As indicated in the certification submitted herewith, plaintiff purchased KE Holdings' ADS at artificially inflated prices during the Class Period and suffered damages as a result of the violations of the securities laws alleged herein.

#### **Defendants**

12. Defendant KE Holdings is a Cayman Islands corporation with principal executive offices located at No. 2 Chuangye Road, Haidian District, Beijing, People's Republic of China. Defendant KE Holdings is an integrated online and offline platform for housing transactions and services focused on reinventing how service providers and housing customers navigate and consummate housing transactions such as existing and new home sales, home rentals, home renovation, and real estate financial solutions. Defendant KE Holdings also owns and operates Beijing Lianjia Real Estate Brokerage Co., Ltd., a Chinese real estate brokerage brand. As of December 31, 2020, defendant KE Holdings had 119,658 employees. Defendant KE Holdings' ADS trades on the NYSE under the ticker symbol ("BEKE").

13. Defendant PENG Yongdong ("Yongdong") is KE Holdings' Chairman of the

Company's Board of Directors (the "Board") and has been since May 2021, an executive director and has been December 2018, and also Chief Executive Officer and has been since July 2018. Defendant Yongdong co-founded the Company in July 2018.

14. Defendant XU Tao ("Tao") is KE Holdings' Executive director and has been since December 2018, and also Chief Financial Officer and has been since July 2018.

15. Defendants Yongdong and Tao are collectively referred to herein as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of KE Holdings reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors. The Individual Defendants were provided copies of the Company's reports and press releases alleged in this complaint to be misleading before, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material nonpublic information available to them, the Individual Defendants knew that the adverse facts and omissions specified in this complaint had not been disclosed to, and were being concealed from, the public, and that positive representations and omissions which were being made were then materially false and misleading.

**DEFENDANTS' MATERIALLY FALSE AND MISLEADING  
STATEMENTS CAUSE SUBSTANTIAL LOSSES TO INVESTORS**

16. On July 24, 2020, KE Holdings filed its Registration Statement on Form F-1 with the SEC. On August 7, 2020, the Company filed an amendment to the Registration Statement on Form F-1. The amended Form F-1 stated that the Company planned to sell 106 million ADS at a price between \$17 and \$19. The 106 million ADS represented 318 million of the Company's ordinary shares. On August 13, 2020, the Company filed its prospectus on Form 424B4 (the "Prospectus" collectively with the registration statements, the "Offering Documents").

17. On August 13, 2020, the Company sold 106 million ADS at a price of \$20 per ADS, raising approximately \$2.12 billion.

18. The Offering Documents claimed that the Company had "over 260 real estate brokerage brands, over 42,000 community-centric stores and over 456,000 agents across 103 economically vibrant cities in China."

19. The Offering Documents also included a table stating the number stores and agents using the Company's platform:

***Number of stores and agents***

We believe the numbers of real estate brokerage stores and agents on our platform demonstrate our scale and are crucial indicators of our operations. The table below sets forth the number of stores and agents on our platform as of the dates indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
Number of stores	8,030	15,809	37,514	42,247
Number of agents	120,214	163,574	357,680	456,047

20. On November 16, 2020, the Company filed a Form 6-K with the SEC, which attached a press release announcing its results for the third quarter of the 2020 fiscal year. KE Holdings claimed that it had a GTV of RMB1,050.0 billion, an increase of 87.2%. It also reported that net revenues were RMB20.5 billion, an increase of 70.9% year-over-year. In particular, the press release stated:

**KE Holdings Inc. Announces Third Quarter 2020 Unaudited Financial Results**

**BEIJING**, China, November 16, 2020 - KE Holdings Inc. ("Beike" or the "Company") (NYSE: BEKE), a leading integrated online and offline platform for housing transactions and services, today announced its unaudited financial results for the third quarter ended September 30, 2020.

### Business Highlights for the Third Quarter of 2020

- **Gross transaction value (GTV)**<sup>1</sup> was RMB1,050.0 billion (US\$154.6 billion), an increase of 87.2% year-over-year. **GTV of existing home transactions** was RMB576.1 billion (US\$84.8 billion), an increase of 71.8% year-over-year. **GTV of new home transactions** was RMB420.7 billion (US\$62.0 billion), an increase of 105.7% year-over-year. **GTV of emerging and other services** was RMB53.2 billion (US\$7.8 billion), an increase of 151.5% year-over-year.
- **Net revenues** were RMB20.5 billion (US\$3.0 billion), an increase of 70.9% year-over-year.
- **Net income** was RMB75 million (US\$11 million). **Adjusted net income**<sup>2</sup> was RMB1,858 million (US\$274 million), an increase of 210.6% year-over-year.
- **Number of stores** was 44,883 as of September 30, 2020, a 41.7% increase year-over-year.
- **Number of agents** was 477,810 as of September 30, 2020, a 50.7% increase year-over-year.
- **Mobile monthly active users (MAU)**<sup>3</sup> averaged 47.9 million, an increase of 82.1% year-over-year.

<sup>1</sup> GTV for a given period is calculated as the total value of all transactions which the Company facilitated on the Company's platform and evidenced by signed contracts as of the end of the period, including the value of the existing home transactions, new home transactions and emerging and other services, and including transactions that are contracted but pending closing at the end of period.

<sup>2</sup> Adjusted net income (loss) is a non-GAAP financial measure, which is defined as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration, and (iv) tax ecs.

<sup>3</sup> Average mobile MAU for any period is calculated by dividing (i) the sum of the Company's mobile active users (including *Beike* or *Lianjia* mobile app, and Weixin Mini Programs) for each month of such period, by (ii) the number of months in such period.

Mr. Stanley Yongdong Peng, Co-founder and Chief Executive Officer of Beike, commented, "We are pleased to deliver strong results for our first quarter as a public company. In the third quarter, we continued to strengthen our infrastructure, including the Agent Cooperation Network, by scaling up our network of community centric stores and agents, as well as expanding our online presence at a rapid pace. With improved customer experience on our platform, we achieved an 87.2% increase in GTV and a 70.9% increase in net revenues year-over-year. For existing home transaction services, with strong demand for quality housing transaction services from both home sellers and buyers, we further grew our GTV

by 71.8% year-over-year. For example, facilitated by our big data technology, the *Premium Package for Home Sellers* was tailor-made for home sellers for more effective housing transactions. For new home transaction services, with increasing demand from real estate developers for professional brokerage services and our enhanced capability to achieve effective sell-through, our GTV of new home transaction services increased by 105.7% year-over-year. We partnered with real estate developers to adopt the *3-Day Free Return* policy, while performing extensive risk assessment to ensure strong management of receivables. Leveraging our world-class database for residential housing and A.I. technology, we continued to standardize and digitalize the industry by adopting innovative applications, such as our *Online Mortgage Processing Service*, *Xiaobei AI-assistant 2.0* and *VR Lite*. As we further execute our strategic initiatives centered on taking care of our customers and supporting service providers, we remain enthusiastic about our future path and are confident to deliver sustainable value to our housing customers, agents and other platform participants over the long-term."

Mr. Tao Xu, Chief Financial Officer of Beike, further commented, "We achieved robust financial and operational growths in the third quarter. Our net revenues increased by 70.9% year-over-year to RMB20.5 billion, driven by solid growth of GTV of both existing home and new home transaction services, along with increased productivity and continuously improved service quality on our platform. Additionally, we achieved strong improvement in profitability in the third quarter as a result of greater operating leverage. Adjusted net income increased by 210.6% to RMB1,858 million (US\$274 million) from RMB598 million for the same period in 2019. Looking ahead, drawing upon our infrastructure that we endeavor to iterate, amplifying our extensive industry experience in reconstructing and streamlining the complex housing transactions, we will continue to grow in all fronts, diversify our business offerings across housing related products and services. We remain strongly committed to our mission of admirable service and joyful living, and reshaping the industry while capturing the tremendous opportunities along with all our platform participants."

### **Third Quarter 2020 Financial Results**

#### **Net Revenues**

Net revenues increased by 70.9% to RMB20.5 billion (US\$3.0 billion) in the third quarter of 2020 from RMB12.0 billion in the same period of 2019, primarily attributable to the increase in GTV of both existing home transaction services and new home transaction services.

- Net revenues from existing home transaction services increased by 46.2% to RMB8.8 billion (US\$1.3 billion) in the third quarter of 2020 from RMB6.1 billion in the same period of 2019, primarily attributable to a 71.8% increase in GTV of existing home transactions to RMB576.1 billion (US\$84.8 billion) in the third quarter of 2020 from RMB335.4 billion in the

same period of 2019. Among that, (i) the revenue derived from platform service, franchise service and other value-added services, which are mostly charged to connected agents on the Company's platform increased by 95.7% to RMB0.9 billion (US\$0.1 billion) in the third quarter of 2020 from RMB0.5 billion in the same period of 2019, as the GTV of existing home transactions served by connected agents on the Company's platform increased by 110.7% to RMB290.4 billion (US\$42.8 billion) in the third quarter of 2020 from RMB137.8 billion in the same period of 2019; (ii) commission revenue increased by 42.0% to RMB7.9 billion (US\$1.2 billion) in the third quarter of 2020 from RMB5.6 billion in the same period of 2019, driven by the GTV of existing home transactions served by the Company's *Lianjia* brand increased by 44.6% to RMB285.7 billion (US\$42.1 billion) in the third quarter of 2020 from RMB197.6 billion in the same period of 2019.

- Net revenues from new home transaction services increased by 95.0% to RMB11.1 billion (US\$1.6 billion) in the third quarter of 2020 from RMB5.7 billion in the same period of 2019, primarily attributable to an increase in the GTV of new home transactions to RMB420.7 billion (US\$62.0 billion) in the third quarter of 2020 from RMB204.5 billion in the same period of 2019, among which, RMB82.8 billion (US\$12.2 billion) and RMB49.3 billion, respectively, were served by *Lianjia* brand.
- Net revenues from emerging and other services increased by 116.6% to RMB0.6 billion (US\$0.1 billion) in the third quarter of 2020 from RMB0.3 billion in the same period of 2019. The increase was primarily due to the increase of penetration level of the Company's financial services around the housing transaction services.

### **Cost of Revenues**

Cost of revenues increased by 78.0% to RMB16.2 billion (US\$2.4 billion) in the third quarter of 2020 from RMB9.1 billion in the same period of 2019, primarily attributable to the increase in split commission to connected agents and other sales channels and the increase in internal commission and compensation.

- Commission - split. The Company's cost of revenues for commissions to connected agents and other sales channels increased by 143.8% to RMB7.7 billion (US\$1.1 billion) in the third quarter of 2020 from RMB3.2 billion in the same period of 2019. The increase was primarily attributable to the incremental increase in the number of new home transactions completed through connected agents and other sales channels, which in turn was driven by the increasing number of connected agents and other sales channels joining our platform, as well as the promotional measures related to new home transaction services to incentivize the connected agents and other sales channels on our platform in the third quarter of 2020.



- Commission and compensation - internal. The Company's cost of revenues for internal commission and compensation increased by 36.2% to RMB6.6 billion (US\$1.0 billion) in the third quarter of 2020 from RMB4.9 billion in the same period of 2019. The increase was primarily attributable to the increase in the number of new and existing home transactions completed through *Lianjia* brand.
- Cost related to stores. The Company's cost related to stores remained relatively stable at RMB0.8 billion (US\$0.1 billion) in the third quarter of 2020 as compared to the same period of 2019, mainly attributable to the Company's efforts to optimize the Company's store network and store size and improve the efficiency of each store.

21. On March 15, 2021, KE Holdings announced its fourth quarter and fiscal year 2020 financial results in a press release attached to a Form 6-K filed with the SEC on March 16, 2021. The Company reported GTV of RMB1,120.0 billion, an increase of 65.4%. It also reported new revenue of RMB22.7 billion, a 57.6% year-over-year increase. In particular, the press release stated:

**KE Holdings Inc. Announces Fourth Quarter and Fiscal Year 2020  
Unaudited Financial Results**

BEIJING, China, March 15, 2021 - KE Holdings Inc. ("Beike" or the "Company") (NYSE: BEKE), a leading integrated online and offline platform for housing transactions and services, today announced its unaudited financial results for the fourth quarter and fiscal year ended December 31, 2020.

**Business Highlights for the Fourth Quarter of 2020**

- **Gross transaction value (GTV)<sup>1</sup>** was RMB1,120.0 billion (US\$171.6 billion), an increase of 65.4% year-over-year. **GTV of existing home transactions** was RMB584.7 billion (US\$89.6 billion), an increase of 69.8% year-over-year. **GTV of new home transactions** was RMB469.2 billion (US\$71.9 billion), an increase of 55.5% year-over-year. **GTV of emerging and other services** was RMB66.1 billion (US\$10.1 billion), an increase of 113.2% year-over-year.
- **Net revenues** were RMB22.7 billion (US\$3.5 billion), an increase of 57.6% year-over-year.
- **Net income** was RMB1,096 million (US\$168 million). **Adjusted net income<sup>2</sup>** was RMB2,001 million (US\$307 million), an increase of 4,424.8% year-over-year.

- **Number of stores** was 46,946 as of December 31, 2020, a 25.1% increase from one year ago.
- **Number of agents** was 493,088 as of December 31, 2020, a 37.9% increase from one year ago.
- **Mobile monthly active users (MAU)**<sup>3</sup> averaged 48.2 million, an increase of 88.3% year-over-year.

<sup>1</sup> GTV for a given period is calculated as the total value of all transactions which the Company facilitated on the Company's platform and evidenced by signed contracts as of the end of the period, including the value of the existing home transactions, new home transactions and emerging and other services, and including transactions that are contracted but pending closing at the end of period.

<sup>2</sup> Adjusted net income (loss) is a non-GAAP financial measure, defined as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration, (iv) impairment of goodwill and intangible assets, (v) impairment of investments and (vi) tax effects of the above non-GAAP adjustments. Please refer to the section titled "Unaudited reconciliation of GAAP and non-GAAP results" for details.

<sup>3</sup> "Mobile monthly active users" or "mobile MAU" are to the sum of (i) the number of accounts that have accessed our platform through our Beike or Lianjia mobile app (with duplication eliminated) at least once during a month, and (ii) the number of Weixin users that have accessed our platform through our Weixin mini programs at least once during a month. Average mobile MAU for any period is calculated by dividing (i) the sum of the Company's mobile MAUs for each month of such period, by (ii) the number of months in such period.

### Business Highlights for the Fiscal Year 2020

- **GTV** was RMB3,499.1 billion (US\$536.3 billion), an increase of 64.5% year-over-year. **GTV of existing home transactions** was RMB1,940.0 billion (US\$297.3 billion), an increase of 49.5% year-over-year. **GTV of new home transactions** was RMB1,383.0 billion (US\$211.9 billion), an increase of 85.0% year-over-year. **GTV of emerging and other services** was RMB176.1 billion (US\$27.0 billion), an increase of 113.0% year-over-year.
- **Net revenues** were RMB70.5 billion (US\$10.8 billion), an increase of 53.2% year-over-year.
- **Net income** was RMB2,778 million (US\$426 million). **Adjusted net income** was RMB5,720 million (US\$877 million), an increase of 245.4% year-over-year.

Mr. Stanley Yongdong Peng, Co-founder and Chief Executive Officer of Beike, commented, "We achieved exceptional growth in 2020, closing the year with solid fourth quarter operational and financial results. Our massive scale, operating

efficiency and high-quality services, combined with strong network effects, have created a virtuous cycle, spurring a 64.5% year-over-year jump in our full year GTV to RMB3.5 trillion. The ground we've covered in the past year has cemented our confidence that the value brought by our commitment to doing the right thing even if it's difficult, is the foundation for all our achievements.

With a focus on creating value for our customers and empowering stores and agents, our GTV for existing home transaction services grew by a substantial 49.5% to RMB1.94 trillion in 2020. Our platform vigorously promoted 8 core commitments to our customers, including authentic listing guarantees and transaction fund escrow services, which penetrated 84% of stores in the top 30 cities in the fourth quarter of 2020. GTV for new home transaction services climbed by 85% to RMB1.38 trillion in 2020, owing to our three-pronged approach of ensuring satisfaction of customers' needs, supporting service providers, and establishing relationships with an increasing number of real estate developers and providing more tailored and more efficient services that cater to their needs. We extended commission advances covering more than 40% of new home sales commission-split to connected stores and other platform participants in 2020, and successfully brought the whole process online. During the year, we also made solid headway in home decoration and renovation services, as well as financial services in preparation for our next phase of growth.

For 2021, we have five focus areas - taking care of our customers, supporting service providers, cultivating our emerging services, creating social value, and enhancing technology's critical role in this broad market opportunity. We are confident of our growth trajectory, as we move closer to realizing our vision of providing comprehensive and trusted housing services to 300 million families in China," concluded Mr. Peng.

Mr. Tao Xu, Chief Financial Officer of Beike, further commented, "We delivered another quarter of solid financial results, marked by high revenue growth and strong profitability. Our total net revenues in the fourth quarter increased by 57.6% year-over-year to RMB22.7 billion, exceeding the high end of our previous guidance range. We are also very pleased to witness that over 30% of stores on Beike platform had an annual GTV of RMB50 million or more in 2020, which we believe is an adequate level to support sustainable growth of the stores, compared to 19% in prior year, demonstrating the strong network effects of our agent cooperation network (ACN). Going forward, we will remain focused on taking better care of consumers and support platform participants such as brokerage brands, store owners, agents and real estate developers to take better care of consumers, while continuously strengthening our competitive moat and growing our business at a fast pace. As we continue to invest in our ACN infrastructure, user base expansion and innovative A.I. technologies, we are confident that we will further enhance our monetization capabilities and deliver sustainable growth."

#### **Fourth Quarter 2020 Financial Results**

### **Net Revenues**

**Net revenues** increased by 57.6% to RMB22.7 billion (US\$3.5 billion) in the fourth quarter of 2020 from RMB14.4 billion in the same period of 2019. The increase was driven by the total GTV growth of 65.4% to RMB1,120.0 billion (US\$171.6 billion) in the fourth quarter of 2020 from RMB677.1 billion in the same period of 2019.

- **Net revenues from existing home transaction services** increased by 56.1% to RMB9.2 billion (US\$1.4 billion) in the fourth quarter of 2020 from RMB5.9 billion in the same period of 2019, primarily attributable to a 69.8% increase in GTV of existing home transactions to RMB584.7 billion (US\$89.6 billion) in the fourth quarter of 2020 from RMB344.3 billion in the same period of 2019.

Among that, **(i) the revenue derived from platform service, franchise service and other value-added services**, which are mostly charged to connected stores and agents on the Company's platform increased by 64.8% to RMB1.0 billion (US\$0.2 billion) in the fourth quarter of 2020 from RMB0.6 billion in the same period of 2019, as the GTV of existing home transactions served by connected agents on the Company's platform increased by 95.4% to RMB283.8 billion (US\$43.5 billion) in the fourth quarter of 2020 from RMB145.2 billion in the same period of 2019, as well as moderate increase in existing home transaction commission rate charged from connected stores. The growth rate of GTV of existing home transactions served by connected agents exceeded that of the revenue derived from platform service, franchise service and other value-added services, primarily due to fee remission on recruiting, training and other VAS services, as well as a decrease in the total amount of upfront onboard fee charged to newly connected stores; and

**(ii) commission revenue** increased by 55.1% to RMB8.2 billion (US\$1.3 billion) in the fourth quarter of 2020 from RMB5.3 billion in the same period of 2019, driven by the GTV of existing home transactions served by the Company's *Lianjia* brand increased by 51.1% to RMB300.9 billion (US\$46.1 billion) in the fourth quarter of 2020 from RMB199.1 billion in the same period of 2019.

- **Net revenues from new home transaction services** increased by 58.8% to RMB12.9 billion (US\$2.0 billion) in the fourth quarter of 2020 from RMB8.1 billion in the same period of 2019, primarily attributable to an increase of 55.5% in the GTV of new home transactions to RMB469.2 billion (US\$71.9 billion) in the fourth quarter of 2020 from RMB301.7 billion in the same period of 2019. The GTV of new home transactions served by *Lianjia* brand increased by 26.0% to RMB80.5 billion (US\$12.3

billion) from RMB63.8 billion in the same period of 2019, while the GTV of new home transaction services completed on Beike platform through connected agents and other sales channels increased by 63.4% to RMB388.7 billion (US\$59.6 billion) from RMB237.9 billion in the same period of 2019.

- **Net revenues from emerging and other services** increased by 58.1% to RMB0.6 billion (US\$0.1 billion) in the fourth quarter of 2020 from RMB0.4 billion in the same period of 2019. The increase was primarily attributable to the increase of penetration level in the Company's financial services around the housing transaction services, as well as increased number of home decorations units completed through the Company's platform.

22. On April 6, 2021, KE Holdings filed its Annual Report on Form 20-F detailing the Company's results for the 2020 fiscal year. The Company disclosed the following concerning net revenues:

<b>For the Year Ended December 31,</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
	<b>(in thousands, except for share and per share data)</b>				
<b>Net revenues:</b>					
Existing home transaction services	18,461,231	20,154,642	24,568,508	30,564,584	4,684,227
New home transaction services	6,419,251	7,471,924	20,273,860	37,937,886	5,814,235
Emerging and other services	625,216	1,019,933	1,172,538	1,978,508	303,220
<b>Total net revenues</b>	<b>25,505,698</b>	<b>28,646,499</b>	<b>46,014,906</b>	<b>70,480,978</b>	<b>10,801,682</b>

\* \* \*

***Year ended December 31, 2019 Compared to Year ended December 31, 2018***

***Net revenues***

Our revenues increased by 60.6% from RMB28.6 billion in 2018 to RMB46.0 billion in 2019, primarily attributable to the increases in revenues from both existing and new home transaction services as a result of the expansion of our *Beike* platform nationwide.

*Existing home transaction services.* Our revenues from existing home transaction services increased by 21.9% from RMB20.2 billion in 2018 to RMB24.6 billion in 2019, which was primarily attributable to the increase of GTV

for existing home transactions from RMB822 billion in 2018 to RMB1,297 billion in 2019.

Commission revenue, which increased by 15.3% from RMB20.0 billion in 2018 to RMB23.0 billion in 2019, contributed most of the growth in our existing home transaction service revenue. GTV of existing home transactions served by our *Lianjia* brand grew significantly from RMB784 billion in 2018 to RMB855 billion in 2019, and the average commission rate improved from 2.49% in 2018 to 2.56% in 2019.

Additionally, the revenue derived from platform service, franchise service and other value-added services, which are mostly charged to connected agents on our platform, grew significantly from RMB194 million in 2018 to RMB1,547 million in 2019. We launched our *Beike* platform in April 2018 and have experienced a substantial growth in the number of transactions and connected brokerage stores and agents on our platform. The number of connected brokerage stores and agents on our platform increased from 8,136 stores and approximately 60,900 agents as of December 31, 2018, to 29,592 stores and approximately 232,800 agents as of December 31, 2019. The number of existing home sales handled by connected agents on our *Beike* platform increased from approximately 29,000 in 2018 to 313,000 in 2019.

*New home transaction services.* Our revenues from new home transaction services increased by 171.3% from RMB7.5 billion in 2018 to RMB20.3 billion in 2019, primarily attributable to an increase in the GTV for new home transactions from RMB280.8 billion in 2018 to RMB747.6 billion in 2019, within which RMB142.4 billion and RMB201.7 billion respectively were served by our *Lianjia* brand. This was in turn driven by the number of new home transactions completed on our platform increasing from approximately 196,000 in 2018 to 533,000 in 2019 and the number of brokerage stores, both *Lianjia* and connected brokerage stores, on our platform increasing from 15,809 as of December 31, 2018 to 37,514 as of December 31, 2019.

*Emerging and other services.* Our revenues from emerging and other services increased by 15.0% from RMB1.0 billion in 2018 to RMB1.2 billion in 2019.

23. The Form 20-F claimed that "over 493,000 real estate agents representing 279 brokerages brands" used the Company's platform. The Form 20-F also stated "As of December 31, 2020, our platform had 279 real estate brokerage brands, approximately 47,000 community-centric stores and over 493,000 agents across more than 100 economically vibrant cities in China." Elsewhere, the filing stated:



As of December 31, 2020, there were more than 493,000 real estate agents and approximately 47,000 brokerage stores on our platform, representing 279 real estate brokerage brands, as compared to over 350,000 agents, 37,000 stores and 249 brands as of December 31, 2019 and over 163,000 agents, 15,800 stores and 116 brands as of December 31, 2018.

24. Regarding GTV, the Form 20-F stated, "our GTV grew from RMB1,153 billion in 2018 to RMB2,128 billion in 2019, and further to RMB3,499 billion (US\$536 billion) in 2020"; "[i]n 2020, we generated a GTV of RMB3,499.1 billion (US\$536.3 billion) and facilitated over 3.6 million housing transactions on our platform."; "[i]n 2020, we facilitated over 3.6 million housing transactions on our platform and generated a GTV of RMB3,499 billion (US\$536 billion) in aggregate, increasing from around 2.2 million housing transactions and a GTV of RMB2,128 billion in 2019."

25. The Company announced its financial results for the first quarter of the 2021 fiscal year in a press release attached to a Form 6-K filed with the SEC on May 20, 2021. The press release claimed that the Company had GTV of RMB 1,069.6 billion, an increase of 224.2% year-over-year. It also reported Net revenues of RMB20.7 billion, an increase of 190.7% year-over-year. The press release also stated that stores increased 25.4% to 48,717 and agents increase 41.8% to 528,424. In particular, the press release stated:

**KE Holdings Inc. Announces First Quarter 2021 Unaudited Financial Results**

BEIJING, China, May 19, 2021 - KE Holdings Inc. ("Beike" or the "Company") (NYSE: BEKE), a leading integrated online and offline platform for housing transactions and services, today announced its unaudited financial results for the first quarter ended March 31, 2021.

**Business Highlights for the First Quarter of 2021**

- **Gross transaction value (GTV)<sup>1</sup>** was RMB1,069.6 billion (US\$163.3 billion), an increase of 224.2% year-over-year. **GTV of existing home transactions** was RMB673.4 billion (US\$102.8 billion), an increase of 244.2% year-over-year. **GTV of new home transactions** was RMB343.4

billion (US\$52.4 billion), an increase of 194.9% year-over-year. **GTV of emerging and other services** was RMB52.7 billion (US\$8.1 billion), an increase of 197.3% year-over-year.

- **Net revenues** were RMB20.7 billion (US\$3.2 billion), an increase of 190.7% year-over-year.
- **Net income** was RMB1,059 million (US\$162 million). **Adjusted net income**<sup>2</sup> was RMB1,502 million (US\$229 million).
- **Number of stores** was 48,717 as of March 31, 2021, a 25.4% increase from one year ago.
- **Number of agents** was 528,424 as of March 31, 2021, a 41.8% increase from one year ago.
- **Mobile monthly active users (MAU)**<sup>3</sup> averaged 48.5 million, an increase of 78.2% year-over-year.

<sup>1</sup> GTV for a given period is calculated as the total value of all transactions which the Company facilitated on the Company's platform and evidenced by signed contracts as of the end of the period, including the value of the existing home transactions, new home transactions and emerging and other services, and including transactions that are contracted but pending closing at the end of period.

<sup>2</sup> Adjusted net income (loss) is a non-GAAP financial measure, which is defined as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration, and (iv) tax effects of the above non-GAAP adjustments. Please refer to the section titled "Unaudited reconciliation of GAAP and non-GAAP results" for details.

<sup>3</sup> "Mobile monthly active users" or "mobile MAU" are to the sum of (i) the number of accounts that have accessed our platform through our Beike or Lianjia mobile app (with duplication eliminated) at least once during a month, and (ii) the number of Weixin users that have accessed our platform through our Weixin mini programs at least once during a month. Average mobile MAU for any period is calculated by dividing (i) the sum of the Company's mobile MAUs for each month of such period, by (ii) the number of months in such period.

Mr. Stanley Yongdong Peng, Co-founder and Chief Executive Officer of Beike, commented, "We are grateful to have achieved stellar first quarter results that were bolstered by the tailwinds from China's robust economic growth following the COVID-19 pandemic and the adherence of the national policy of 'houses are for living, not for speculation.' The solid growth also highlighted the strength of our core values and business model. As our consistent efforts to deliver an excellent consumer experience and unmatched service quality bore fruit, our GTV reached RMB1.07 trillion in the first quarter, up 224.2% year over year. Meanwhile, the self-reinforcing virtuous cycle of efficiency and scalability driven by quality service was further enhanced on our platform."



"Additionally, our Agent Specialization strategy that encourages real estate agents to become specialists in a particular field and the contract service centers that streamline the signing process, guarantee transaction security and enhance efficiency of multiple parties, have lifted GTV of our existing home transaction services to RMB673.4 billion in the first quarter, representing a year-over-year growth of 244.2%. GTV of our new home transaction services was RMB343.4 billion, up 194.9% year-over-year, driven by a 220.0% GTV growth from connected stores and other sales channels as we continued to improve the quality and enhance the efficiency. We also made significant progress in enriching online content for new home projects, as well as launching the 'New Home Business Conduct Improvement Plan' to foster a fair, safe, efficient and orderly network for the new home transaction services. Our emerging services, including home renovation services and financial services, continued to gain traction, armed us with the ability to address a wider range of home-related consumer needs, and served as incremental growth drivers."

"Going forward, we will continue to evolve our business and invest in initiatives aligned with our core values, while creating a new and improved norm for the industry built on trust and generating long-term value for everyone we interact with." concluded Mr. Peng.

Mr. Tao Xu, Chief Financial Officer of Beike, further commented, "Our momentum of strong topline growth and profitability gain was well sustained into the first quarter. Underpinned by the strength in GTV of both existing home and new home transaction services and comparing with the low base in the first quarter of 2020, we achieved a 190.7% year-over-year increase in net revenues to RMB20.7 billion, beating both of the top end of our previous guidance and street consensus. With a long-term outlook and a market-neutral view, we are confident in our growth potential. Our commitment in consistently enhancing our efforts in bringing value to consumers and empowering service providers will continue to support us to realize our vision."

## **First Quarter 2021 Financial Results**

### **Net Revenues**

**Net revenues** increased by 190.7% to RMB20.7 billion (US\$3.2 billion) in the first quarter of 2021 from RMB7.1 billion in the same period of 2020. The increase was driven by the total GTV growth of 224.2% to RMB1,069.6 billion (US\$163.3 billion) in the first quarter of 2021 from RMB329.9 billion in the same period of 2020. The high growth rate in the first quarter of 2021 was primarily attributable to a low base in the first quarter of 2020 under the impact of the COVID-19 outbreak.

- **Net revenues from existing home transaction services** increased by 202.1% to RMB10.2 billion (US\$1.6 billion) in the first quarter of 2021 from RMB3.4 billion in the same period of 2020, primarily attributable to a

244.2% increase in GTV of existing home transactions to RMB673.4 billion (US\$102.8 billion) in the first quarter of 2021 from RMB195.7 billion in the same period of 2020. The high growth rate in the first quarter of 2021 was primarily attributable to a low base in the first quarter of 2020 under the impact of the COVID-19 outbreak.

Among that, **(i) the revenues derived from platform service, franchise service and other value-added services**, which are mostly charged to connected stores and agents on the Company's platform increased by 266.1% to RMB1.0 billion (US\$0.2 billion) in the first quarter of 2021 from RMB0.3 billion in the same period of 2020, as the GTV of existing home transactions served by connected agents on the Company's platform increased by 304.4% to RMB328.4 billion (US\$50.1 billion) in the first quarter of 2021 from RMB81.2 billion in the same period of 2020, as well as a moderate increase in existing home transaction commission rate charged from connected stores. The growth rate of GTV of existing home transactions served by connected agents exceeded that the growth rate of the revenue derived from platform service, franchise service and other value-added services, which was primarily due to a slower growth of non-transaction related platform services revenue, including recruiting services fee, training fee and upfront onboard fee charged to newly connected stores; and

**(ii) commission revenue** increased by 196.7% to RMB9.2 billion (US\$1.4 billion) in the first quarter of 2021 from RMB3.1 billion in the same period of 2020, driven by a 201.5% increase in the GTV of existing home transactions served by the Company's *Lianjia* brand to RMB345.0 billion (US\$52.7 billion) in the first quarter of 2021 from RMB114.5 billion in the same period of 2020.

- **Net revenues from emerging and other services** increased by 96.2% to RMB0.6 billion (US\$0.1 billion) in the first quarter of 2021 from RMB0.3 billion in the same period of 2020. The increase was primarily attributable to an increase in the GTV of financial services around the housing transaction services, as well as an increased number of home decorations units completed through the Company's platform.

26. The Company announced its financial results for the second quarter of the 2021 fiscal year in a press release attached to a Form 6-K filed with the SEC on August 12, 2021. The press release claimed that the Company had GTV of RMB 1,220.8 billion, an increase of 22.2% year-over-year. It also reported Net revenues of RMB24.2 billion, an increase of 20.0% year-over-year. The press release also stated that stores increased 25.1% to 52,868 and agents increase 20.3%

to 548,600. In particular, the press release stated:

**KE Holdings Inc. Announces Second Quarter 2021 Unaudited Financial Results**

BEIJING, China, August 11, 2021 - KE Holdings Inc. ("Beike" or the "Company") (NYSE: BEKE), a leading integrated online and offline platform for housing transactions and services, today announced its unaudited financial results for the second quarter ended June 30, 2021.

**Business Highlights for the Second Quarter of 2021**

- **Gross transaction value (GTV)<sup>1</sup>** was RMB1,220.8 billion (US\$189.1 billion), an increase of 22.2% year-over-year. **GTV of existing home transactions** was RMB652.0 billion (US\$101.0 billion), an increase of 11.7% year-over-year. **GTV of new home transactions** was RMB498.3 billion (US\$77.2 billion), an increase of 32.3% year-over-year. **GTV of emerging and other services** was RMB70.6 billion (US\$10.9 billion), an increase of 80.5% year-over-year.
- **Net revenues** were RMB24.2 billion (US\$3.7 billion), an increase of 20.0% year-over-year.
- **Net income** was RMB1,116 million (US\$173 million). **Adjusted net income<sup>2</sup>** was RMB1,638 million (US\$254 million).
- **Number of stores** was 52,868 as of June 30, 2021, a 25.1% increase from one year ago.
- **Number of agents** was 548,600 as of June 30, 2021, a 20.3% increase from one year ago.
- **Mobile monthly active users (MAU)<sup>3</sup>** averaged 52.1 million, an increase of 33.5% year-over-year.

<sup>1</sup> GTV for a given period is calculated as the total value of all transactions which the Company facilitated on the Company's platform and evidenced by signed contracts as of the end of the period, including the value of the existing home transactions, new home transactions and emerging and other services, and including transactions that are contracted but pending closing at the end of period.

<sup>2</sup> Adjusted net income (loss) is a non-GAAP financial measure, which is defined as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration, and (iv) tax effects of the above non-GAAP adjustments. Please refer to the section titled "Unaudited reconciliation of GAAP and non-GAAP results" for details.

<sup>3</sup> Mobile monthly active users" or "mobile MAU" are to the sum of (i) the number of accounts that have accessed our platform through our Beike or Lianjia mobile

app (with duplication eliminated) at least once during a month, and (ii) the number of Weixin users that have accessed our platform through our Weixin mini programs at least once during a month. Average mobile MAU for any period is calculated by dividing (i) the sum of the Company's mobile MAUs for each month of such period, by (ii) the number of months in such period.

"We are pleased with our strong performance in the second quarter, backed by our commitment to contribute to a better industry and a better society," said Mr. Stanley Yongdong Peng, Chairman of the Board and Chief Executive Officer of Beike. "Guided by our dedication to protect our customers' rights and interests while fulfilling their expectations for joyful living, Beike delivered solid results while adhering to the national policy that 'housing is for living in, not for speculation', as evidenced by the total GTV of RMB2.29 trillion in the first half of 2021, up 72.3% year-over-year."

"During the second quarter, we continued to upgrade our Agent Specialization Strategy and expand our professional contract service centers to 287 locations to enhance efficiency and collaborations, resulting in GTV of existing home transaction services of RMB652.0 billion, representing 11.7% growth year-over-year. GTV of new home transaction services rose by 32.3% year-over-year, reaching RMB498.3 billion, and 42.8% of the GTV growth derived from connected stores and other sales channels as we further enriched our new home related online content and made steady progress with our 'New Home Business Conduct Improvement Plan'. At the same time, we sustained our rapid growth momentum in emerging services during the second quarter. We announced our proposed acquisition of Shengdu to accelerate our home renovation business development, and launched Home SaaS system 1.0 to further enhance the end-to-end standardization and digitalization of our home renovation services."

"Looking ahead, we plan to leverage our quality, talent and technological resources to stimulate inspirations and explore growth and development opportunities, which has been key to our success during each of the past market corrections. In the future, housing is expected to be an increasingly important field of people's livelihood, as we believe there will always be the consumers' long-term demand for better living. Given the relative inefficiencies that persist in the housing industry, with low user satisfaction, and problems such as lack of standardization, digitalization, and internet penetration, we still see tremendous opportunities for value creation and increasing need for our innovative solutions. We will always look inward for source of strength and outward for value creation opportunities, with both perseverance and optimism for a bright future. With this in mind, we will continue to grow our business operations with a focus on long-term 'better living' by promoting our one-stop quality home services for the 300 million households in China," concluded Mr. Peng.

Mr. Tao Xu, Executive Director and Chief Financial Officer of Beike, further commented, "Driven by the strong growth in GTV of both existing home and new

home transaction services, we achieved a 20.0% year-over-year increase in net revenues to RMB24.2 billion in the second quarter, beating both the high end of our guidance and the street consensus. During the second quarter, a slew of city-specific policies and severe market-cooling measures were rolled out in China. Those measures help promote a stable and healthy development of real estate market in the long run, but may bring about short-term market uncertainties. Despite this challenge, we firmly uphold those policies and measures, and support government to crack down on housing speculation in certain overheated cities to stabilize the market. We believe that the longing for joyful living and better housing creates firm demand from the consumers. Looking into the second half of this year, we will continue to invest in the Company's infrastructure and emerging services. And we strongly believe in what Lao Zuo mentioned in our prospectus - Marching through noises and market volatility, we believe it is our fundamental value, rather than external circumstances, that is the key to the continuing success of Beike. Compared to our near-term financial performance, we devote more efforts in developing and investing in our long-term capabilities, even though it might take time to achieve financial returns on these investments. In fact, the longer it takes and the more difficult it is, the more excited we become."

## **Second Quarter 2021 Financial Results**

### **Net Revenues**

**Net revenues** increased by 20.0% to RMB24.2 billion (US\$3.7 billion) in the second quarter of 2021 from RMB20.1 billion in the same period of 2020. The increase was driven by the total GTV growth of 22.2% to RMB1,220.8 billion (US\$189.1 billion) in the second quarter of 2021 from RMB999.2 billion in the same period of 2020. For the first half of 2021, net revenues increased by 64.6% to RMB44.9 billion (US\$7.0 billion) from RMB27.3 billion in the first half of 2020. The increase was driven by the total GTV growth of 72.3% to RMB2,290.4 billion (US\$354.7 billion) in the first half of 2021 from RMB1,329.1 billion in the first half of 2020.

- **Net revenues from existing home transaction services** increased by 4.9% to RMB9.6 billion (US\$1.5 billion) in the second quarter of 2021 from RMB9.2 billion in the same period of 2020, primarily attributable to a 11.7% increase in GTV of existing home transactions to RMB652.0 billion (US\$101.0 billion) in the second quarter of 2021 from RMB583.5 billion in the same period of 2020. For the first half of 2021, net revenues from existing home transaction services increased by 57.9% to RMB19.8 billion (US\$3.1 billion) from RMB12.6 billion in the first half of 2020, driven by a 70.1% increase in GTV of existing home transactions to RMB1,325.4 billion (US\$205.3 billion) in the first half of 2021 from RMB779.2 billion in the first half of 2020.

Among that, **(i) the revenues derived from platform service, franchise service and other value-added services**, which are mostly charged to connected stores and agents on the Company's platform, increased by 29.1% to RMB1.1 billion (US\$0.2 billion) in the second quarter of 2021 from RMB0.9 billion in the same period of 2020, primarily due to the increased GTV of existing home transactions served by connected agents on the Company's platform by 25.6% to RMB342.5 billion (US\$53.0 billion) in the second quarter of 2021 from RMB272.7 billion in the same period of 2020, and a moderate increase in existing home transaction commission rate charged by connected stores;

**(ii) commission revenue** increased by 2.4% to RMB8.5 billion (US\$1.3 billion) in the second quarter of 2021 from RMB8.3 billion in the same period of 2020, driven by a moderate increase in existing home transaction services commission rate charged by *Lianjia* stores, while GTV of existing home transactions served by *Lianjia* stores was RMB309.5 billion (US\$47.9 billion) in the second quarter of 2021, compared to RMB310.9 billion in the same period of 2020 as a meaningful portion of transactions were concentrated in the second quarter of 2020 under the impact of COVID-19 outbreak.

- **Net revenues from new home transaction services** increased by 31.9% to RMB13.9 billion (US\$2.2 billion) in the second quarter of 2021 from RMB10.5 billion in the same period of 2020, primarily attributable to an increase of 32.3% in GTV of new home transactions to RMB498.3 billion (US\$77.2 billion) in the second quarter of 2021 from RMB376.6 billion in the same period of 2020. The GTV of new home transaction services completed on Beike platform through connected agents and other sales channels increased by 42.8% to RMB414.5 billion (US\$64.2 billion) from RMB290.3 billion in the same period of 2020, while the GTV of new home transactions served by *Lianjia* brand was RMB83.8 billion (US\$13.0 billion) in the second quarter of 2021, compared to RMB86.3 billion in the same period of 2020. For the first half of 2021, net revenues from new home transaction services increased by 70.4% to RMB23.8 billion (US\$3.7 billion) from RMB14.0 billion in the first half of 2020, driven by the increased GTV of new home transactions by 70.7% to RMB841.7 billion (US\$130.4 billion) in the first half of 2021 from RMB493.1 billion in the first half of 2020.
- **Net revenues from emerging and other services** increased by 50.6% to RMB0.7 billion (US\$0.1 billion) in the second quarter of 2021 from RMB0.4 billion in the same period of 2020. The increase was primarily attributable to the increase of penetration level in the Company's financial services around the housing transaction services, and an increased number of home renovation units completed through the Company's platform. For the first half of 2021, net revenues from emerging and other services



increased by 68.9% to RMB1.2 billion (US\$0.2 billion) from RMB0.7 billion in the same period of 2020.

27. The Company announced its financial results for the third quarter of the 2021 fiscal year in a press release attached to a Form 6-K filed with the SEC on November 9, 2021. The press release claimed that the Company had GTV of RMB 830.7billion. It also reported Net revenues of RMB18.1 billion. The press release also stated that stores increased 20.2% to 53,946 and agents increased 7.9% to 515,486. The Company also included new metrics for "active" stores and "active" agents. In particular, the press release stated:

**KE Holdings Inc. Announces Third Quarter 2021 Unaudited Financial Results**

BEIJING, China, November 8, 2021 — KE Holdings Inc. ("Beike" or the "Company") (NYSE: BEKE), a leading integrated online and offline platform for housing transactions and services, today announced its unaudited financial results for the third quarter ended September 30, 2021.

**Business Highlights for the Third Quarter of 2021**

- **Gross transaction value (GTV)<sup>1</sup>** was RMB830.7 billion (US\$128.9 billion), a decrease of 20.9% year-over-year. **GTV of existing home transactions** was RMB378.2 billion (US\$58.7 billion), a decrease of 34.3% year-over-year. **GTV of new home transactions** was RMB410.1 billion (US\$63.7 billion), a decrease of 2.5% year-over-year. **GTV of emerging and other services** was RMB42.3 billion (US\$6.6 billion), a decrease of 20.4% year-over-year.
- **Net revenues** were RMB18.1 billion (US\$2.8 billion), a decrease of 11.9% year-over-year.
- **Net loss** was RMB1,766 million (US\$274 million). **Adjusted net loss<sup>2</sup>** was RMB888 million (US\$138 million).
- **Number of stores** was 53,946 as of September 30, 2021, a 20.2% increase from one year ago. **Number of active stores<sup>3</sup>** was 49,468 as of September 30, 2021, a 20.2% increase from one year ago.

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<sup>1</sup> GTV for a given period is calculated as the total value of all transactions which the Company facilitated on the Company's platform and evidenced by signed contracts as of the end of the period, including the value of the existing home

transactions, new home transactions and emerging and other services, and including transactions that are contracted but pending closing at the end of period.

<sup>2</sup> Adjusted net income (loss) is a non-GAAP financial measure, which is defined as net income (loss), excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions and business cooperation agreement, (iii) changes in fair value from long term investments, loan receivables measured at fair value and contingent consideration, (iv) impairment of goodwill and intangible assets, and (v) tax effects of the above non-GAAP adjustments. Please refer to the section titled "Unaudited reconciliation of GAAP and non-GAAP results" for details.

<sup>3</sup> Based on our accumulated operational experience, we have introduced the number of active agents and active stores on our platform which can better reflect the operational activeness of stores and agents on our platform.

"Active stores" as of a given date is defined as stores on our platform excluding the stores which (i) have not facilitated any housing transaction during the preceding 60 days, (ii) do not have any agent who has engaged in any critical steps in housing transactions (including but not limited to introducing new properties, attracting new customers and conducting property showings) during the preceding seven days, or (iii) have not been visited by any agent during the preceding 14 days. The numbers of active stores on our platform are 41,152, 43,436, 44,937 and 49,046 as of September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021, respectively.

- **Number of agents** was 515,486 as of September 30, 2021, a 7.9% increase from one year ago. **Number of active agents**<sup>4</sup> was 468,014 as of September 30, 2021, a 13.1% increase from one year ago.
- **Mobile monthly active users (MAU)**<sup>5</sup> averaged 46.1 million, compared to 47.9 million in the same period of 2020.

Mr. Stanley Yongdong Peng, Chairman of the Board and Chief Executive Officer of Beike, commented, "The third quarter was challenging and difficult for the industry with corrective and sweeping adjustments to safeguard and bring about a long-term healthy development of the real-estate market in China. Under the guidance of national policies on stabilizing housing price, curbing speculation and promoting common prosperity, Beike remained committed to our mission of 'admirable service, joyful living'. Our third quarter results reflected both the broad macroenvironment challenges the industry is facing and the resiliency of our business, with a total GTV of RMB830.7 billion for the quarter, decreasing 20.9% year over year while still outperforming the market."

"In the third quarter, we continued to execute our Agent Specialization Strategy and make further strides in digital empowerment by launching the 'Xiaobei existing



home sales training camp', which helps agents to develop new skills to provide premium and focused services through highly efficient collaboration. For new home transaction services, we carried out stringent new home risk control measures, deepened digitalization, enriched online content, and persisted in pursuing top-quality service with a continued emphasis on new home business conduct. For home renovation business, in Beijing, we opened Craftsman (Jinggong) Academy as the industry's first full-service vocational training base and Beiwoo, our home renovation brand, launched ten 'heart-to-heart' service commitments to address the renovation industry's key pain points. Shengdu, the home renovation business we proposed to acquire, also maintained rapid growth in the East China market. Its future potential integration with the Company will further enhance our competitiveness in the renovation business."

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<sup>4</sup> "Active agents" as of a given date is defined as agents on our platform excluding the agents who (i) delivered notice to leave but have not yet completed the exit procedures, (ii) have not engaged in any critical steps in housing transactions (including but not limited to introducing new properties, attracting new customers and conducting property showings) during the preceding 30 days, or (iii) have not participated in facilitating any housing transaction during the preceding three months. The numbers of active agents on our platform are 413,732, 445,438, 479,308 and 499,690 as of September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021, respectively.

<sup>5</sup> "Mobile monthly active users" or "mobile MAU" are to the sum of (i) the number of accounts that have accessed our platform through our Beike or Lianjia mobile app (with duplication eliminated) at least once during a month, and (ii) the number of Weixin users that have accessed our platform through our Weixin mini programs at least once during a month. Average mobile MAU for any period is calculated by dividing (i) the sum of the Company's mobile MAUs for each month of such period, by (ii) the number of months in such period.

"We believe that China's recently announced pilot program of a five-year property tax will contribute to a healthier, more stable development of China's real estate market and the formulation of a long-term mechanism for growth, which is also a favorable environment for the Company's future growth. Followed by the acceleration of the era of quality service for housing industry, we will continue to take more social responsibilities and focus on the overall service quality improvement and technological empowerment to our connected service providers, and strive for our vision of providing quality housing services to 300 million families in China," concluded Mr. Peng.

Mr. Tao Xu, Executive Director and Chief Financial Officer of Beike, added, "During the third quarter, we generated RMB18.1 billion of net revenues, down 11.9% year over year, as we saw the GTV for both existing home and new home transaction services experiencing downward trends amidst necessary market corrections. While we strongly believe the new regulatory measures will benefit the

industry, the broader economy and the society in the long term, we adopted multiple initiatives to enhance service quality and ensure good business conduct, with a view to contributing to the establishment of a sustainable housing market. We will stick to our path with full commitment to serve our customers better, and we are confident that we would stay resilient and have our values recognized."

### **Third Quarter 2021 Financial Results**

#### **Net Revenues**

**Net revenues** decreased by 11.9% to RMB18.1 billion (US\$2.8 billion) in the third quarter of 2021 from RMB20.5 billion in the same period of 2020. The decrease was primarily attributable to the decline in total GTV of 20.9% to RMB830.7 billion (US\$128.9 billion) in the third quarter of 2021 from RMB1,050.0 billion in the same period of 2020.

- **Net revenues from existing home transaction services** were RMB6.1 billion (US\$0.9 billion) in the third quarter of 2021, compared to RMB8.8 billion in the same period of 2020, primarily due to a 34.3% decrease in GTV of existing home transactions to RMB378.2 billion (US\$58.7 billion) in the third quarter of 2021 from RMB576.1 billion in the same period of 2020, led by a slow-down of the existing home market which was affected by a series of market-cooling measures in the third quarter of 2021.

Among that, **(i) the revenues derived from platform service, franchise service and other value-added services**, which are mostly charged to connected stores and agents on the Company's platform, were RMB0.8 billion (US\$0.1 billion) in the third quarter of 2021, compared to RMB0.9 billion in the same period of 2020, primarily because the GTV of existing home transactions served by connected agents on the Company's platform decreased by 33.6% to RMB192.9 billion (US\$29.9 billion) in the third quarter of 2021 from RMB290.4 billion in the same period of 2020. The downtrend was partially offset by a moderate increase in existing home transaction commission rate charged by connected stores due to the increased percentage of rental transactions with a relatively higher commission rate;

**(ii) commission revenue** was RMB5.3 billion (US\$0.8 billion) in the third quarter of 2021, compared to RMB7.9 billion in the same period of 2020, primarily due to a decrease in GTV of existing home transactions served by *Lianjia* stores to RMB185.3 billion (US\$28.8 billion) in the third quarter of 2021, compared to RMB285.7 billion in the same period of 2020.

- **Net revenues from new home transaction services** increased by 2.5% to RMB11.3 billion (US\$1.8 billion) in the third quarter of 2021 from RMB11.1 billion in the same period of 2020, primarily attributable to a

moderate increase of new home transactions commission rate, while the GTV of new home transactions was RMB410.1 billion (US\$63.7 billion) in the third quarter of 2021, compared to RMB420.7 billion in the same period of 2020. The GTV of new home transaction services completed on Beike platform through connected agents and other sales channels was RMB337.6 billion (US\$52.4 billion), compared to RMB337.9 billion in the same period of 2020, while the GTV of new home transactions served by *Lianjia* brand was RMB72.6 billion (US\$11.3 billion) in the third quarter of 2021, compared to RMB82.8 billion in the same period of 2020.

- **Net revenues from emerging and other services** was RMB610 million (US\$94.6 million) in the third quarter of 2021 from RMB625 million in the same period of 2020, primarily due to a decrease of net revenues for financial services around the existing housing transaction services, while it was partially offset by a 29.4% increase of net revenues from renovation service.

28. The above statements identified in paragraph 20-27 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business operations and prospects. Specifically, defendants: (a) inflated the Company's GTV; (b) inflated the Company's revenues; (c) inflated the number of stores and agents using the Company's platform; and (d) that, as a result, of the foregoing, defendants' statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

### **THE TRUTH EMERGES**

29. On December 16, 2021, Muddy Waters, a due diligence based investor, issued a seventy-seven page report on KE Holdings (the "Muddy Waters Report"). Muddy Waters stated that it is:

[S]hort [KE Holdings] because we conclude the Company is engaged in systemic fraud, **by our estimate, inflating its new home sales GTV by over ~126%** and its commission revenues by approximately ~77–96%. We found massive discrepancies between the transaction volumes, store count and agent count reported to investors and the transaction data from our multi-month data collection program from BEKE's platform. We corroborated these discrepancies by spot-checking our findings through primary due diligence on BEKE's stores, including field interviews and site visit.

BEKE's mantra, oft repeated on Company earnings calls, is "doing the right thing, even if it is difficult." Nothing could seem further from the truth. Put simply, we found massive fraud, including a likely sham acquisition seemingly designed to mask the fraudulent revenues. Our field work found ghost stores, clone stores and undisclosed schemes to inflate revenues by round tripping cash through connected brokerages. Similar to Luckin Coffee, this is a real business with significant amounts of fraud.

30. The Muddy Waters Report revealed that the GTV, amount of agents, and amount of stores contained in the Company's filings were all grossly overstated.

31. After trading as high as \$21.33 on December 16, 2021, after the Muddy Waters Report was issued, the Company's ADS price fell to close at \$18.31, a 14% drop, on unusually heavy trading value.

32. On December 17, 2021, KE Holdings responded to some, but not all of Muddy Waters' allegations. In addition, the Company announced in the press release that its Board authorized the audit committee to conduct an internal review of the key allegations contained in the Muddy Waters Report.

### **LOSS CAUSATION**

33. During the Class Period, as detailed herein, defendants made materially false and misleading statements and omissions, and engaged in a scheme to deceive the market. This artificially inflated the price of KE Holdings' ADS and operated as a fraud or deceit on the Class. Later, when the truth concealed by defendants' prior misrepresentations and omissions was disclosed to the market, including after the close of the market on December 16, 2021, the price of KE Holdings' ADS fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their acquisition of KE Holdings' ADS during the Class Period—and defendants' material misstatements and omissions—plaintiff and other members of the Class suffered economic loss, i.e., damages, under the federal securities laws.

### **CLASS ACTION ALLEGATIONS**

34. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired KE Holdings' ADS during the Class Period. Excluded from the Class are defendants and their families, directors, and officers of KE Holdings and their families and affiliates.

35. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims as a class action will provide substantial benefits to the parties and the Court. As December 31, 2020, KE Holdings had tens of millions of ADSs and approximately 3.5 billion shares of common stock outstanding, owned by hundreds or thousands of investors.

36. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether defendants violated the Exchange Act;
- (b) whether defendants omitted and/or misrepresented material facts;
- (c) whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether the Individual Defendants are personally liable for the alleged misrepresentations and omissions described herein;
- (e) whether defendants knew or recklessly disregarded that their statements and/or omissions were false and misleading;
- (f) whether defendants' conduct impacted the price of KE Holdings' ADS;

(g) whether defendants' conduct caused the members of the Class to sustain damages; and

(h) the extent of damages sustained by Class members and the appropriate measure of damages.

37. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

38. Plaintiff will adequately protect the interests of the Class and has retained counsel experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

39. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Joinder of all Class members is impracticable.

#### **INAPPLICABILITY OF STATUTORY SAFE HARBOR**

40. KE Holdings' "Safe Harbor" warnings accompanying its forward-looking statements issued during the Class Period were ineffective to shield those statements from liability.

41. Defendants are also liable for any false or misleading forward-looking statements pleaded herein because, at the time each such statement was made, the speaker knew the statement was false or misleading and the statement was authorized and/or approved by an executive officer of KE Holdings who knew that the statement was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when they were made, nor were any of the projections or forecasts made by defendants expressly related to, or stated to be dependent on, those historic or present tense statements when made.

**PRESUMPTION OF RELIANCE**

42. At all relevant times, the market for KE Holdings' ADSs was an efficient market for the following reasons, among others:

(a) KE Holdings' ADS met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) KE Holdings filed periodic public reports with the SEC and the NYSE;

(c) KE Holdings regularly and publicly communicated with investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) KE Holdings was followed by several securities analysts employed by numerous major brokerage firms, who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

43. As a result of the foregoing, the market for KE Holdings' ADS promptly digested current information regarding KE Holdings from all publicly available sources and reflected such information in the price of KE Holdings' ADS. Under these circumstances, all purchasers of KE Holdings' ADS during the Class Period suffered similar injury through their purchase of KE Holdings' ADS at artificially inflated prices and the presumption of reliance applies.

44. A Class-wide presumption of reliance is also appropriate in this action under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the Class' claims are grounded on defendants' material omissions. Because this action

involves defendants' failure to disclose the true, material, negative financial impact facing the Company, as well as KE Holdings' true inventory levels and their relationship with customer demand—information that defendants were obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered them important in making investment decisions. Given the importance of the sustainability of KE Holdings' financial results and growth and the Company's inventory levels, and the impact that could have on the Company's near-term and long-term financial condition, that requirement is satisfied here.

### **COUNT I**

#### **For Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5 Against All Defendants**

45. Plaintiff repeats and realleges each and every allegation contained above, as if fully set forth herein.

46. During the Class Period, defendants carried out a plan, scheme, and course of conduct which intended to and, throughout the Class Period, did (i) deceive the investing public, including plaintiff and other Class members, as alleged herein; and (ii) cause plaintiff and other members of the Class to purchase KE Holdings' ADS at artificially inflated prices.

47. Defendants: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's ADSs in an effort to maintain artificially high market prices for KE Holdings' ADS in violation of Section 10(b) of the Exchange Act and Rule 10b-5, promulgated thereunder.

48. Defendants, individually and in concert, directly and indirectly, by the use, means,



or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the Company's financial well-being, operations, and prospects.

49. During the Class Period, defendants made the false statements specified above, which they knew to be or recklessly disregarded the truth that they were false and misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

50. Defendants had actual knowledge of the misrepresentations and omissions of material fact set forth herein, or recklessly disregarded the true facts that were available to them. Defendants engaged in this misconduct to conceal KE Holdings' true condition from the investing public and to support the artificially inflated prices of the Company's ADS.

51. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for KE Holdings' ADSs. Plaintiff and the Class would not have purchased the Company's ADS at the prices they paid, or at all, had they been aware that the market prices for KE Holdings' ADS had been artificially inflated by defendants' fraudulent course of conduct.

52. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases of the Company's ADSs during the Class Period.

53. By virtue of the foregoing, defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

## **COUNT II**

### **For Violations of Section 20(a) of the Exchange Act Against the**

### **Individual Defendants**

54. Plaintiff repeats and realleges each and every allegation contained above, as if fully set forth herein.

55. The Individual Defendants acted as controlling persons of KE Holdings within the meaning of Section 20(a) of the Exchange Act, 15 U.S.C. §78t(a). By virtue of their high-level positions, participation in and awareness of the Company's operations, direct involvement in the day-to-day operations of the Company, and intimate knowledge of the Company's actual performance, and their power to control public statements about KE Holdings, the Individual Defendants had the power and ability to control the actions of KE Holdings and its employees. By reason of this conduct, the Individual Defendants are liable under Section 20(a) of the Exchange Act.

### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for judgment as follows:

- A. Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding compensatory damages in favor of plaintiff and other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including attorneys' fees and expert fees; and
- D. Awarding such equitable/injunctive or other further relief as the Court may deem just and proper.

**JURY DEMAND**

Plaintiff demands a trial by jury.

Dated: December 30, 2021

LAW OFFICES OF THOMAS G. AMON



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Attorneys for Plaintiff

1554399

**CERTIFICATION OF PLAINTIFF  
PURSUANT TO FEDERAL SECURITIES LAW**

Keith Chin ("Plaintiff") declares as to the claims asserted, or to be asserted, under the federal securities laws, that:

1. Plaintiff has reviewed the Complaint for Violations of the Federal Securities Laws and has retained Robbins LLP as counsel in this action for all purposes, and authorized the filing of the Complaint.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action or any other litigation under the federal securities laws.

3. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

SECURITY	TRANSACTION (Purchase/Sale)	QUANTITY	TRADE DATE	PRICE PER SHARE/SECURITY
KE Holdings Inc.	Buy	100	8/3/2021	20.70

4. Plaintiff is willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary, and Plaintiff is willing to serve as a lead plaintiff, a lead plaintiff being a representative party who acts on behalf of other class members in directing the action.

5. Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws within the past three years, unless otherwise stated in the space below:

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

7. Plaintiff represents and warrants that he is fully authorized to enter into and execute this certification.

29<sup>th</sup> I declare under penalty of perjury that the foregoing is true and correct. Executed this  
\_\_\_\_\_ day of December, 2021.

DocuSigned by:  
*Keith Chin*  
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KEITH CHIN